



HARMONIZED SYSTEM
REVIEW SUB-COMMITTEE

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O. Eng.

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POSSIBLE CREATION OF A NEW HEADING TO PROVIDE FOR ALL APPARATUS
FOR TRANSMISSION OR RECEPTION OF VOICE, DATA OR IMAGES
(PROPOSAL BY THE US ADMINISTRATION)

(Item III.B.7 on Agenda)

I. BACKGROUND

1. On 10 July 2002, the Secretariat received the following new proposal from the US Administration.

II. PROPOSAL BY THE US ADMINISTRATION TO CREATE A NEW HEADING
TO PROVIDE FOR ALL APPARATUS FOR TRANSMISSION OR
RECEPTION OF VOICE, DATA OR IMAGES

2. "The United States proposes the following modifications to the Harmonized System which relate to the classification of apparatus for transmission or reception of voice, data or images, including such apparatus used in computer networks. These modifications are intended to modernize the Harmonized System and to eliminate classification disputes related to local area networking apparatus.
 - (1) Note 2 to Section XVI is modified by replacing references to "85.17", "85.43" and "85.48" with references to "85.49", "85.50" and "85.51", respectively.
 - (2) Heading 85.17 is deleted.

Note : Shaded parts will be removed when documents are placed on the WCO documentation database available to the public.

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(3) Heading 85.25 and its structured nomenclature are modified to read as follows :

"85.25 Transmission apparatus for radio broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras; still image video cameras and other video camera recorders; digital cameras.

8525.30 - Television cameras

8525.40 - Still image video cameras and other video camera recorders; digital cameras

8525.70 - Other".

(4) Heading 85.27 and its structured nomenclature are modified to read as follows :

"85.27 Reception apparatus for radio broadcasting, whether or not combined, in the same housing, with apparatus for the reception of other radio transmissions, sound recording or reproducing apparatus or a clock.

- Radio-broadcast receivers capable of operating without an external source of power, whether or not combined, in the same housing, with apparatus for the reception of other radio transmissions :

8527.12 - - Pocket-sized radio cassette-players

8528.13 - - Other apparatus combined with sound recording or reproducing apparatus

8527.19 - - Other

- Radio-broadcast receivers not capable of operating without an external source of power, of a kind used in motor vehicles, whether or not combined, in the same housing, with apparatus for the reception of other radio transmissions :

8527.21 - - Combined with sound recording or reproducing apparatus

8527.29 - - Other

- Other :

8527.31 - - Combined with sound recording or reproducing apparatus

8527.32 - - Not combined with sound recording or reproducing apparatus but combined with a clock

8527.39 - - Other".

- (5) Heading 85.38 is modified by deleting the reference to "85.17" and inserting "85.49".
- (6) Headings 85.43 and 85.48 are renumbered as headings 85.50 and 85.51, respectively.
- (7) The following new heading 85.49 and its structured nomenclature are inserted after heading 85.47 :

- "85.49 Apparatus for transmission or reception of voice, data or images, other than transmission or reception apparatus of headings 85.25, 85.27 or 85.28.**
- Telephone sets, including cellular telephones and other wireless telephones :
 - 8549.11 - - Line telephone sets with cordless handsets
 - 8549.12 - - Cellular telephones
 - 8549.19 - - Other
 - Facsimile machines and teleprinters : 1
 - 8549.21 - - Facsimile machines
 - 8549.29 - - Teleprinters
 - Apparatus for providing communications in a network (including voice, local area, metropolitan area and wide area networks) :
 - 8549.31 - - Switching and routing apparatus
 - 8549.32 - - Base stations for cellular telephone systems
 - 8549.39 - - Other
 - Other apparatus :
 - 8549.41 - - Pagers
 - 8549.42 - - Two way radios
 - 8549.49 - - Other
 - 8549.90 - Parts".

1 Note that subheadings 8549.21 and 8549.29 will be unnecessary if the Review Subcommittee adopts the **US** proposal on printers and printing machinery in heading 84.43. That proposal would result in these goods being transferred to heading 84.43.

- (8) Note 7 to Chapter 85 is modified by deleting the reference to “heading 85.48” and inserting “heading 85.51”.
- (9) Note 1 (h) to Chapter 90 is modified by adding the following text after “lamps of heading 85.13;” :
- “articles of heading 85.49;”
- (10) Note 2 (a) to Chapter 90 is modified by deleting the reference to “85.48” and inserting “85.51”.

Explanation :

3. This proposal has several purposes. First it seeks to simplify the classification of equipment used in “telephony and telegraphy” by grouping all of this apparatus in a single new heading, and by replacing obsolete terminology with language that is currently used in industry. Our proposed heading 85.49 will cover all apparatus for the reception and transmission of voice, data or images. It would include radio-telephony apparatus and radio-telegraphy apparatus from headings 85.25 and 85.27, and optical apparatus from Chapter 90. Article descriptions of headings 85.25 and 85.27 and Note 1(h) to Chapter 90 would be modified.
4. The amendment to Note 1(h) to Chapter 90 is intended to ensure that, with the exception of broadcast equipment covered in headings 85.25, 85.27 and 85.28, all telephony and telegraphy apparatus is classified in new heading 85.49. In particular, it allows for classification of certain optical apparatus currently in Chapter 90 (e.g., heading 90.13) in the new heading. No other changes or modifications are necessary or recommended for Chapter 90.
5. Second, new heading 85.49 will specifically provide for the classification of computer network equipment, such as local area, metropolitan area or wide area networks, **as well as** equipment used to provide communications in other types of networks (e.g., voice networks). As technologies converge, equipment used in computer networks are becoming more and more difficult to distinguish from equipment used in other networks (e.g., public switched networks). Therefore, all equipment that is used to provide communications in a network is grouped together in proposed subheadings 8549.31 through 8549.39.
6. Third, the proposal provides for separate identification of certain products that are increasingly important in trade. The new subheadings, which are provided under new heading 85.49, will cover cellular telephones, radio pagers and cellular telephone base stations.
7. Finally, this proposal eliminates the subheading for “videophones.” First introduced in the early 1990s, these devices which transmit voice and video signals, point-to-point, over telephone lines are no longer produced.

Background :

8. Under the existing texts, headings 85.17, 85.25, 85.27 and 90.13 cover apparatus for telephony or telegraphy. Such equipment is classified in heading 85.17 if it is line equipment;

in headings 85.25 or 85.27 if it is wireless; or in Chapter 90 (usually heading 90.13) if the optical components are not for a subsidiary purpose.

9. Recent advances in technology have made the distinctions between these headings obsolete. Today, equipment for telephony or telegraphy must be compatible with a combination of technologies. For example, there exists equipment that is used to multiplex and route signals that are transmitted in telephone, Internet, video, data and other systems. The equipment includes interfaces that allow it to accept line (copper-wire), optical and wireless signals. This ability makes it possible to transmit information over a variety of different systems. The trend toward this convergence of technologies is increasing.
10. Proposed new heading 85.49 will cover equipment that is distinct from the apparatus that will remain in headings 85.25 and 85.27. There will be a clear line of separation because the equipment of new heading 85.49 is used for "point-to-point" communication -- that is, to transmit and receive information between two points. In contrast, equipment produced for the commercial radio broadcasting and television industries are used to "broadcast" information from a central point to two or more receiving devices simultaneously.
11. New heading 85.49 will also cover local area (LAN), metropolitan area (MAN) or wide area (WAN) networking equipment. Classification of this apparatus has been the subject of numerous classification disputes. These disputes have taken an extraordinary amount of the Harmonized System Committee's time due, in part, to the reservations that often followed the decisions. This proposal should eliminate future classification disputes while, at the same time, assuring uniform classification of this apparatus.
12. Proposed subheading 8549.32, for "base stations for cellular telephone systems", refers to a fixed device that receives radio signals from a mobile radio transceiver (cellular telephone). The base station connects cellular telephones to a line telephone network (either public or private)."

III. SECRETARIAT COMMENTS

13. Due to its recent arrival, the Secretariat has reproduced the **US** note without comment. However, it would like to draw the Sub-Committee's attention to Agenda Item III.B.5 (**EC** proposal to amend Chapters 84, 85, 90 and 95), which also covers current headings 85.17, 85.25 and 85.27. The Secretariat would further point out that Agenda Item III.A.17 also deals with the classification of cameras.

IV. CONCLUSION

14. The Sub-Committee is invited to take account of the **US** proposal when it examines this agenda item.
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